

Message Text

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12/41

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 SSO-00 CCO-00 NSCE-00 INRE-00

USIE-00 IO-13 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-10

PA-03 RSC-01 AID-20 CIEP-02 SS-15 STR-08 TAR-02

TRSE-00 PRS-01 SPC-03 OMB-01 DRC-01 AF-10 ARA-16

EUR-25 NEA-10 /218 W

----- 078815

O 121100Z SEP 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 6720

UNCLAS SECTION 1 OF 2 TOKYO 11783

SHUTO 15

C O R R E C T E D C O P Y (SHUTO 15, VICE SHUTO 11)

PLEASE PASS TREASURY, WHITE HOUSE, STR

E.O. 11652: N/A

TAGS: OVIP, (SHULTZ, GEORGE)

SUBJECT: PUBLIC BROADCASTING INTERVIEW WITH SECRETARY SHULTZ

1. IN A PUBLIC BROADCASTING INTERVIEW BROADCAST TONIGHT, SHULTZ, D'ESTAING, AND AICHI ANSWERED IDENTICAL QUESTIONS CONSECUTIVELY. FOLLOWING ARE THE QUESTIONS AND TEXT OF SHULTZ REPLIES:

QUOTE

THE QUESTIONS ARE AS FOLLOWS: THE FIRST POINT IS WHAT IS YOUR ASSESSMENT OF THE SIGNIFICANCE OF THE GATT MINISTERIAL MEETING IN TOKYO? THE SECOND POINT I WOULD LIKE TO ASK IS THE PROBLEMS REGARDING TARIFF REDUCTIONS AND SAFEGUARD CLAUSE OPERATIONS.

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THE THIRD QUESTION I WOULD LIKE TO ASK IS THE RELATIONSHIP BETWEEN

MONEY AND TRADE.

WHAT IS YOUR ASSESSMENT OF THE SIGNIFICANCE OF THE TOKYO MEETING?

SHULTZ: THIS MEETING IN TOKYO IS A MATTER OF GREAT SIGNIFICANCE, I AM SURE, FOR NOT ONLY JAPAN BUT FOR ALL COUNTRIES. THE SIGNIFICANCE DERIVES FROM THE FACT THAT WE ALL GAIN FROM TRADE. IT IS OBVIOUS IF TWO PEOPLE EXCHANGE VOLUNTARILY, THEY MUST BOTH FEEL THEY GAIN. AND THE SAME THING IS TRUE FOR INDIVIDUALS IN DIFFERENT COUNTRIES AS IS TRUE FOR INDIVIDUALS WITHIN THE SAME COUNTRY. SO WE ARE HERE TO SEEK MORE OPEN TRADE, WE ARE HERE TO REDUCE THE BARRIERS TO TRADE WHETHER THEY BE TARIFF BARRIERS OR NON-TARIFF BARRIERS OF VARIOUS KINDS. IT IS, I THINK, A VERY CLEAR PROPOSITION THAT IN THE POST-WORLD WAR TWO PERIOD WE HAVE ALL GAINED TREMENDOUSLY BY THE GRADUAL OPENING UP OF TRADE, WE HAVE HAD A PERIOD OF GREAT PROSPERITY THROUGHOUT THE WORLD AND AT THE SAME TIME, A PERIOD OF GREAT GROWTH IN INTERNATIONAL TRADE. THESE TWO THINGS ARE CONNECTED WITH EACH OTHER JUST AS TOGETHER THEY HAVE BROUGHT HIGHER STANDARDS OF LIVING THROUGHOUT THE WORLD AND HAVE GIVEN US HIGHER REAL WAGES FOR WORKERS AND MANY BENEFITS FOR ALL OF OUR SOCIETIES. THE MEETING HERE WILL, I THINK, OPEN TRADE FURTHER AND AT THE SAME TIME AS DIFFICULTIES HAVE ARISEN WITH THE PRESENT TRADING ORDER, IT PROVIDES AN OPPORTUNITY TO DEAL WITH THOSE DIFFICULTIES AND BE SURE THAT WE TAKE ADVANTAGE IN EVERY WAY THAT WE CAN OF THE NATURAL ABILITY OF OUR COUNTRIES THROUGH TRADE WITH EACH OTHER TO GET MUTUAL IMPROVEMENTS.

MODERATOR: THEN WHAT ABOUT THE SECOND QUESTION ON TARIFF REDUCTION, WHAT METHOD IS PREFERABLE AND WHAT IS THE AMERICAN POSITION ON THE SAFEGUARD CLAUSE?

SHULTZ: WELL, I THINK, OF COURSE, AS WE LOOK AT THE TARIFF STRUCTURE IN EACH COUNTRY, WE HAVE TO START FROM WHERE WE ARE. WHERE WE ARE IN EACH COUNTRY REFLECTS THE CONDITIONS THAT ARE THERE AND IN OUR VARIOUS RESPECTIVE WAYS TRY TO REDUCE THESE BARRIERS AS MUCH AS WE CAN. I THINK THAT IT IS IMPORTANT ALSO, TO NOTICE AS WE SAW THIS MORNING IN THE VARIOUS STATEMENTS THAT WERE MADE, THE EMPHASIS BEING PLACED IN THESE NEGOTIATIONS ARE NON-TARIFF BARRIERS. IT ISN'T JUST A QUESTION IN OTHER

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WORDS OF REDUCING THE LEVEL OF TARIFFS, BUT ALSO REDUCING THE NUMBER OF BARRIERS THAT MAY HAVE NOTHING TO DO AT ALL WITH A TARIFF BUT SIMPLY BLOCK OR LIMIT DRASTICALLY THE AMOUNT OF IMPORTS THAT CAN COME INTO A COUNTRY OF A GIVEN CLASS OF GOODS. THAT IS A VERY IMPORTANT KIND OF RESTRICTION AND IN A WAY THE LOWER THE LEVEL OF TARIFFS, THE MORE IMPORTANT AND THE GREATER THE TENDENCY THERE SEEMS TO BE TO LOOK TO NON-TARIFF BARRIERS AS A WAY TO PROTECT THE INDUSTRY OF A GIVEN COUNTRY. I THINK IT

IS VERY SIGNIFICANT, FIRST OF ALL, TO TRY TO REDUCE THE TARIFF BARRIERS THERE ARE, RECOGNIZING THAT THEY VARY FROM ONE COUNTRY TO ANOTHER AND AT THE SAME TIME, TO RECOGNIZE THAT THERE ARE MANY OTHER OBSTACLES TO TRADE THAT WE MUST WORK ON AND IT IS A MATTER OF IMPORTANCE HERE AND IT'S HEARTENING TO ME IN LISTENING TO THE STATEMENTS MADE TO SEE THE RECOGNITION OF THE IMPORTANCE OF NON-TARIFF BARRIERS.

NOW, WHEN IT COMES TO THE QUESTION OF A SAFEGUARD SYSTEM, I THINK WE HAVE HERE A PROBLEM THAT HAS BEEN RECOGNIZED IN EVERY COUNTRY. I KNOW OF NO COUNTRY THAT HASN'T FACED THE PROBLEM OF A SURGE OF IMPORTS IN AN INDUSTRY THAT IS PARTICULARLY IMPORTANT IN A SECTION OF THAT COUNTRY OR TO THE COUNTRY AS A WHOLE AND HAD IN SOME MANNER OR ANOTHER TO DEAL WITH THAT SURGE OF IMPORTS. AND WHAT WE NEED IS SOME KIND OF SAFEGUARD SYSTEM NOT TIED TO QUOTAS AS I BELIEVE THE PRESENT GATT RULES ARE, BUT TIED TO THE NOTION THAT WHEN WE HAVE A SURGE OF IMPORTS THAT MAY BE DAMAGING IN A COUNTRY, WE DO NOT STOP THOSE IMPORTS. WE DO NOT EVEN STOP THE TENDENCY FOR THOSE IMPORTS TO INCREASE. BUT WE WILL PROVIDE A PERIOD IN WHICH THE PACE OF INCREASE IS MODERATED AND IT DOESN'T SORT OF HIT IN A GREAT SUDDEN FORCE IN A PARTICULAR PLACE OR IN A PARTICULAR INDUSTRY. SO WE HAVE THE NOTION OF SAFEGUARDING AGAINST THIS TREMENDOUS SURGE BY MODERATING THE PACE OF INCREASE, BUT ALSO OF SAYING THAT WE WILL PROVIDE THIS KIND OF SAFEGUARD FOR A LIMITED PERIOD OF TIME SO THAT IT DOESN'T GET BUILT IN AS A PERMANENT PROTECTION AGAINST THE GOOD THAT THESE IMPORTS CAN BRING TO THE COUNTRY THAT IS RECEIVING THEM AS WELL AS TO THE COUNTRY THAT IS PROVIDING THE EXPORTS. NOW, WE BELIEVE IN THE UNITED STATES AND I THINK THAT THIS IS TRUE THROUGHOUT THE WORLD THAT UNLESS SOMEHOW YOU CAN ASSURE THE WORKERS IN YOUR COUNTRY AND THE BUSINESSES IN

YOUR COUNTRY THAT THESE NEGOTIATIONS ARE NOT GOING TO RESULT IN
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THEIR SIMPLY GETTING WIPED OUT ALL OF A SUDDEN.
SHULTZ

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ACTION EB-11

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TO SECSTATE WASHDC IMMEDIATE 6721

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BUT OCCASIONALLY, THERE ARE GROUPS THAT DO NOT GAIN, THAT GET HIT VERY HARD AND WE ARE THINKING OF YOU, TOO, AND WE ARE TRYING TO SAFEGUARD AGAINST TOO SUDDEN A RUSH OF IMPORTS AND GIVE A CHANCE FOR PEOPLE TO MAKE ADJUSTMENTS EITHER BY BECOMING COMPETITIVE AGAINST THOSE IMPORTS OR BY ADJUSTING THEMSELVES AND FINDING OTHER PURSUITS.

MODERATOR: THANK YOU MR. SECRETARY. THEN THE LAST QUESTION OF THE RELATIONSHIP BETWEEN MONEY AND TRADE.

SHULTZ: OF COURSE, MONEY PROBLEMS AND TRADE PROBLEMS ARE CLOSELY LINKED TOGETHER. IF WE DID NOT HAVE INTERNATIONAL TRADE AND FLOWS OF INVESTMENTS ACROSS OUR BORDERS, WE WOULD NOT HAVE AN INTERNATIONAL MONETARY SYSTEM WHOSE WHOLE PURPOSE IS TO HELP TRADE TO FLOURISH. SO THE TWO THINGS ARE LINKED THE PURPOSE OF THE MONETARY SYSTEM IS TO SUPPORT TRADE AND AT THE SAME TIME, AS THE MONETARY SYSTEM ITSELF PRODUCES THE BASIS OF EXCHANGE AND REGULATES IT THROUGH THE BALANCES OF TRADE AND PAYMENTS, WE SEE THAT SOMETIMES UNCLASSIFIED

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THE STRUCTURE OF TRADE ARRANGEMENTS CAN AFFECT THE ABILITY OF THE MONETARY SYSTEM TO MAKE THE PROPER ADJUSTMENTS POSSIBLE THAT WILL CONTINUE TO LEAD TRADE TO FLOURISH. SO OUR OBSERVATION AND OUR FEELING IS THAT THESE TWO MATTERS, TRADE MATTERS AND MONETARY MATTERS, ARE CLOSELY INTER-MESHED AND I BELIEVE AS I THINK OTHERS DO, TOO, THAT IT IS A GOOD THINK THAT BOTH OF THESE QUESTIONS ARE BEING DISCUSSED SIMULTANEOUSLY. THEY NEED

TO GO FORWARD WITH EACH NEGOTIATION IN VIEW. THERE ARE
INTERLOCKING ASPECTS OF EACH ONE AND AT THE SAME TIME, EACH
SUBJECT HAS TO A DEGREE A LIFE OF ITS OWN AND A SET OF TECHNICAL
DETAILS OF ITS OWN AND WE WOULD HOPE THAT THE PACE OF BOTH CAN
GO FORWARD PROPERLY, BUT IF WE ARE ABLE TO SETTLE THE ONE BEFORE
THE OTHER WE SHOULD MAKE THAT SETTLEMENT AND GO FORWARD WITH ALL
THE SPEED THAT WE CAN. END QUOTE
SHULTZ

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